

VISIT...

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Reading the Tape: Using Time & Sales Successfully



The Tape 101: What is time and sales? What's it used for?

Edison invented the original stock ticker a long time ago (his first big commercial success). Its' purpose remains unchanged to this day: it simply shows the transactions that occur whenever stock is bought or sold. Transactions are "printed" one after another in the order they happen, in realtime. The "tape" of yesteryear is replaced by realtime Time and Sales (T&S) electronic displays in that show us whenever a trade has occurred.

Using T&S, we see both the time that the trade occurred as well as how many shares changed hands. So, it might read 10:33 AMZN 500, telling us that someone bought 500 shares of Amazon at 10:33am. The next trade may be 10:34 AMZN 200, showing us the next trade in order was for 200 shares a minute later, at 10:34. And so on throughout the trading day.

We use it to see if trades occur repeatedly at the ask price (a bullish, uptrending sign showing buying) or the bid price (a bearish, downtrending sign showing selling). We also look for other indicators, like the **size of the trades occurring** (10K - 50K blocks of trades are more important than 100-share trades by individuals), as well as the **momentum, or pace** of how fast the trades occur in Time and Sales (this often speeds up when major pivots, or turning points, occur in the stock price).

Bullish Time & Sales: Going Up!

AMZN	Best Market	P	T	OK		
AMZN + 73 13/16 b 73 13/16 a 73 7/8 10 x 3 1.72M 10:36						
MMID	Bid	B...	MMID	Ask	A...	
MSCO	73 13/16	10	INCA	73 7/8	3	73 13/16 200
PERT	73 13/16	8	REDI	73 7/8	1	73 7/8 300
MLCO	73 13/16	1	ARCA	73 7/8	1	73 7/8 200
HMQT	73 13/16	1	ISLD	73 15/16	5	73 13/16 1,000
BRUT	73 13/16	1	NFSC	73 15/16	1	73 7/8 100
ISLD	73 3/4	10	SLKC	73 15/16	1	74 500
MWSE	73 3/4	5	BRUT	74	1	73 7/8 500
SHWD	73 3/4	1	BTRD	74	1	73 7/8 400
MONT	73 3/4	1	WEED	74	1	73 7/8 100
BTRD	73 11/16	1	JPMS	74 1/8	1	73 7/8 200
REDI	73 11/16	1	MWSE	74 1/4	1	73 7/8 300
INCA	73 5/8	10	LEHM	74 1/4	1	73 7/8 500
						73 15/16 200
						73 15/16 500

Bullish T&S Signals:

- In this AMZN chart you can see a **string of trades going off at the ask, 73 7/8**. This tells you that other traders believe the price will go up and they want to "get on board" at 73 7/8 before it runs up higher.
- If the majority of trades occur at the inside ask, the "trading sentiment" for the stock is bullish for that particular moment.

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MSCO	73 13/16	10	INCA	73 7/8	3
PERT	73 13/16	8	REDI	73 7/8	1
MLCO	73 13/16	1	ARCA	73 7/8	1
HMQT	73 13/16	1	ISLD	73 15/16	5
BRUT	73 13/16	1	NFSC	73 15/16	1
ISLD	73 3/4	10	SLKC	73 15/16	1
MWSE	73 3/4	5	BRUT	74	1
SHWD	73 3/4	1	BTRD	74	1
MONT	73 3/4	1	WEED	74	1
BTRD	73 11/16	1	JPMS	74 1/8	1
REDI	73 11/16	1	MWSE	74 1/4	1
INCA	73 5/8	10	LEHM	74 1/4	1

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- In this AMZN chart you can see a **string of trades going off at the ask, 73 7/8**. This tells you that other traders believe the price will go up and they want to "get on board" at 73 7/8 before it runs up higher.
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- In this DBCC chart you can see a **string of trades going off at the bid**, 10 3/4. This tells you that other traders believe the price will go down and they want to dump it fast.
- Even though MWSE is showing a size 50 bid, pay attention to the T&S instead; everyone is selling, so MWSE will probably stop buying soon.
- Play this the same way you'd play any pattern once you see it, either enter a bid at 5/8 if you think that's where it will bottom (risky), or try to short it on an uptick if you think it'll continue down.

DBCC									
Best Market									
P T OK									
DBCC + 10 3/4 b 10 3/4 a 10 13/16 50 x 15 259K 10:32									
MMID	Bid	B...	MMID	Ask	A...				
MWSE	10 3/4	50	SHWD	10 13/16	15			10 3/4	1.00K
MASH	10 5/8	5	ISLD	10 13/16	10			10 3/4	800
INCA	10 5/8	2	FACT	10 13/16	1			10 3/4	100
ARCA	10 5/8	2	BRUT	10 7/8	12			10 3/4	800
FACT	10 9/16	9	FLTT	10 7/8	1			10 3/4	100
FLTT	10 9/16	1	SLKC	10 7/8	1			10 3/4	700
PRUS	10 1/2	10	HDLY	11	15			10 3/4	200
SHWD	10 1/2	5	JPMS	11	1			10 3/4	100
MLCO	10 1/2	2	HRZG	11	1			10 3/4	100
BEST	10 1/2	1	PWJC	11	1			10 3/4	300
								10 3/4	200
								10 11/16	1.00K
								10 11/16	100



When you're reading the tape, you can always play around with different chart layouts, in this example I stretched it so you can see exactly how bearish the pattern of selling is.

Now, if everyone and their brother is selling to SBSH and STRK at 90 1/4, the current inside bid, will you try to buy the stock here? I hope not.

You may want to join the bidders a couple levels down if you are playing off a pivot point based on your charts (eg a whole number decade support level like 90 for DCLK here, risky though).

In this case I'd enter a bid at 90 and see if the price comes in; it looks like there's some support at 90 (9 bidders, including MLCO and BEST). If, on the way down, though, MLCO faded his bid lower and a couple other bidders canceled their bids, I'd also cancel my bid and wait to see a clear pattern of buying in T&S.



You're seeing a few larger trades, like the 9.6K one and a few 1K trade, along with some outside trades at 90 1/8. All fairly bearish. Don't enter a long position here, of course.

Pop Quiz Question: What type of order routing was responsible for the trades that happened "outside the market" at 90 1/8? SOES, Selectnet, ARCA, ISLD?

Answer: preferred selectnet order

DCLK									
Best Market									
P T OK									
DCLK + 90 1/4 b 90 1/4 a 90 5/16 5 x 10 1.82M 11:07									
MMID	Bid	B...	MMID	Ask	A...				
STRK	90 1/4	5	ISLD	90 5/16	10			90 1/4	500
SBSH	90 1/4	4	BTRD	90 5/16	9			90 1/4	100
NEUB	90 1/8	20	MONT	90 3/8	1			90 1/4	400
GSCO	90 1/8	5	INCA	90 7/16	10			90 1/4	9.60K
MWSE	90 1/8	2	PERT	90 1/2	2			90 1/8	500
ISLD	90 1/8	1	MASH	90 1/2	2			90 1/4	500
NITE	90 1/16	1	SLKC	90 1/2	1			90 1/4	900
SLKC	90 1/16	1	MLCO	90 1/2	1			90 1/4	1.10K
BRUT	90	11	HRZG	90 11/16	1			90 1/4	500
BEST	90	10	FBCO	90 3/4	1			90 1/4	500
MLCO	90	5	GSCO	90 7/8	5			90 1/4	400
PERT	90	4	ARCA	91	5			90 1/4	500
HRZG	90	3	BRUT	91	2			90 1/4	500
MASH	90	2	MWSE	91	1			90 1/8	500
CHIP	90	1	TWPT	91	1			90 1/8	100
LEHM	90	1	NITE	91 1/4	1			90 1/4	600
DBKS	90	1	DLJP	91 3/8	5			90 1/4	600
DLJP	89 7/8	5	NFSC	91 7/16	1			90 1/4	500
MONT	89 7/8	1	COWN	91 1/2	1			90 1/4	500
MSCO	89 7/8	1	SBSH	91 3/4	1			90 1/4	500
FBCO	89 3/4	1	MSCO	91 7/8	1			90 1/8	500
NFSC	89 11/16	1	PRUS	92	1			90 1/4	1.00K
SHWD	89 9/16	1	CHIP	92	1			90 1/4	400
NEED	89 1/4	1	NEUB	93	1			90 1/4	500
BTRD	89 3/16	1	FLTT	93	1			90 1/4	500
INCA	89 1/8	10	LEHM	93	1			90 1/4	500
LAZA	89 1/8	1	NEED	93 1/4	1			90 1/4	500
TWPT	89	10	JPMS	94	1			90 1/4	500
PRUS	89	1	PIPR	94 5/16	1			90 1/4	500
COWN	88 1/2	1	RSSF	95	1			90 1/4	500
								90 1/4	500
								90 1/4	600

How to Trade Blocks and

Volume Patterns in Time & Sales

Ok, now that you know the major, obvious trends in Time & Sales, we'll begin looking at specific daytrading strategies and tips you can use in this (and the next 2) lessons.

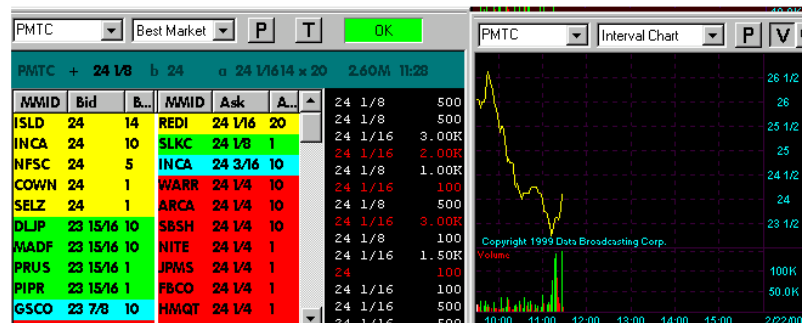
Volume Buying on a Pivot Play:

This is the Best bullish type of pattern to play.

What's going on here?

- 1) Many block trades of 1K - 3K shares going off at the ask
- 2) Heavy support at a whole number and thin sellers.
- 3) Big volume spikes in the 1-minute chart.

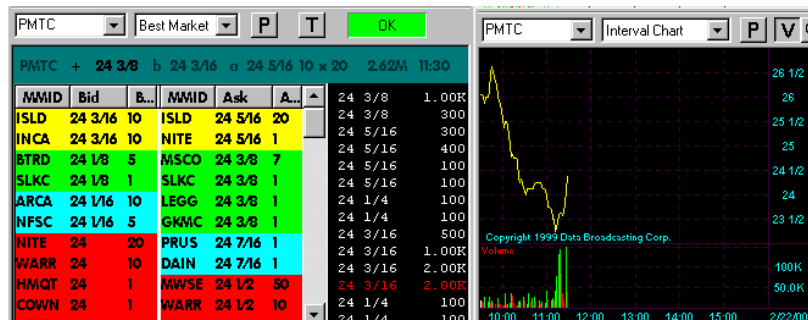
Obvious Buy Here-Hurry!



Hopefully, you got in a bit earlier, on the first pivot, when the volume buying spike showed up in the 1-minute chart. If not, that's ok, there's still "juice" left in this trade. We see a lot of buyers at 24 1/16 on our time and sales, both a recent volume pattern in the chart and block trades in T&S.

Great, we nailed it! Now we're starting to see a mixed pattern on T&S, and it looks like we have a lot of sellers at 24 3/8.

Maybe I'll offer out the the 1K shares I just bought at 24 1/16 for 24 1/4. Ok, I get filled and make another \$187 in 2 minutes. Repeat many times a day and make a living daytrading.



Daytrading Plays: This is a classic textbook buy setup for a daytrader who scalps. It doesn't get any more obvious than this.

Hint: you see an INCA bid at 24 3/16, this might be some real support from a mm who's parked his bid here, wait to see how many shares whoever's anonymously buying via INCA wants to see if there's real support there. Of course, the same could be said about sellers on ISLD.

Remember, volume is your friend - it's the "vote" of the traders at that moment in time. Watch for blocks (trades of >5K shares, usually made by institutional traders) at the bid or ask prices to determine what the near term trend may be.

Your level 2, again, is a secondary tool to help you time the exact second to "pull the trigger" on your trades. Time and Sales is the "real story of the stock" you must pay attention to.